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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003972

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SUBJECT: VICE PREMIER TSAI ON GPA AND FTA

REF: STATE 190265

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. Summary: Vice Premier Tsai Ing-wen said Taiwan is "not ready to consider" having any footnote in its WTO GPA accession language during a meeting with AIT DIR late on November 24. She said that Taiwan was prepared to discuss a bilateral GPA during AUSTR Stratford's visit next month. DIR also relayed reftel talking points on outcomes of the APEC Leaders' Meeting. End summary.

Taiwan Stand on Government Procurement Agreement

12. (C) During a meeting with AIT DIR on November 24, Vice Premier Tsai said Taiwan still wants a government procurement agreement, but is "not ready to consider" having any footnote language in its WTO GPA accession statement. She added that Taiwan is prepared to discuss a bilateral procurement agreement in the context of preparations for an FTA between the United States and Taiwan. In response, DIR strongly emphasized that the United States could not accept any linkage between a bilateral GPA and FTA discussions. DIR said that, at most, Tsai could use language that suggested a bilateral GPA would, to some extent, improve the prospects for consideration of an FTA. Tsai said the link to a bilateral FTA would not be made public, but that she needed to use that argument to address the concerns of those interest groups opposed to opening Taiwan's government procurement market to outside competition. She said Taiwan was prepared to discuss a bilateral GPA with AUSTR Stratford during his proposed December 18-19 visit to Taiwan.

13. (C) Note: local newspaper reports on November 22 criticized efforts to join the WTO GPA because "Taiwan's market would be opened to all the other members of the GPA" and complaining that Taiwan's procurement market was quite small. End note. Comment: Since Taiwan's accession to the WTO in 2002, officials have consistently stated its interest and desire to join the WTO GPA. These news reports and Tsai's comments about needing arguments to rebut opponents of

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joining the WTO GPA are the first examples we have seen of Taiwan raising protectionist concerns in discussing the GPA. End comment.

AmCham Speech Says it All

14. (C) The Director highlighted some of the points he had made in his November 21 speech to AmCham. He noted that in the speech, in spite of PRC assertions that Taiwan could not be a full member of any free trade arrangement, he had clearly expressed U.S. support for full Taiwan membership in a Free Trade Area of the Asia Pacific (FTAAP). The Director said that while FTAAP was a long-term goal, there are other short-term economic goals Taiwan and the United States should pursue, including the GPA and bilateral investment and taxation agreements. The Director noted that during the Q&A session after the speech he had said the U.S. would not enter into an FTA with Taiwan for political reasons. As he said in the AmCham speech, an FTA with the United States cannot eliminate Taiwan's need for closer ties with China. The U.S. believes that as the PRC becomes more sophisticated in its cross-strait policies, Taiwan needs to become more creative in its initiatives.

U.S. Has More Important Considerations

15. (C) VP Tsai replied that Taiwan had plenty of solid economic reasons for wanting an FTA with the United States, but for the United States, she thought there were other, more important considerations. If the United States wanted Taiwan to remain an economically prosperous and democratic place, she said it needed to do something to counter the growing PRC influence in Taiwan. The VP said the current strong opposition to the U.S. arms package was a reflection of the extent of PRC influence in Taiwan. Tsai noted that China refused to respond to Taiwan's requests for dialogue. She

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said Taiwan welcomes China as a trading partner, but did not welcome its political agenda or its attempts to manipulate Taiwan politics.

Possible Resignations After Election

16. (C) The Director noted that USDOC U/S for International Trade Frank Lavin was considering visiting Taiwan from Friday December 8 thru Monday December 11. VP Tsai said she had no problem with weekend meetings, and was free all day Saturday, and in the morning on Sunday and Monday. She indicated however, that if the December 9 mayoral election results were unfavorable to the ruling party, the Premier and some cabinet members might submit their resignations. She said the Premier would definitely need to take some responsibility for poor election results, but it was less likely that the Ministers of Economics or Finance would need to submit their resignations, and other cabinet officials fell somewhere in between.

Agricultural Issues

17. (C) The Director mentioned that USDA Deputy U/S Lambert had held meetings in Taipei to discuss imports of U.S. beef. He noted that the Minister of Health Hou Shen-mou told the Director that the personal criticism leveled against him for supporting science-based measures for evaluating the BSE risk had led him to consider resigning his post. The Director asked Tsai to do what she could to support the Health Minister on this issue. The Director said he hoped to arrange for someone from the USG at the U/S level to sit down with Premier Su to discuss the Consultative Committee on Agriculture (CCA) and other agricultural issues in a "strategic" way. The Director said he believes that senior visits should be used to push difficult issues forward.

Impressions of APEC

¶8. (C) When the Director asked for her impressions of the recently completed APEC Leaders' Meeting in Hanoi, VP Tsai said she thought that APEC generally gave Taiwan good opportunities to express its views.

¶9. (C) Comment: Tsai's rejection of footnote language and linkage of a bilateral GPA to a bilateral FTA both underscore the tremendous domestic political pressures at play on the government today, even on economic issues. However, a bilateral GPA agreement might actually serve U.S. commercial interests better than WTO GPA accession, and Tsai committed to no public use of arguments linking a bilateral GPA to an FTA. End comment.
YOUNG